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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996	))))	CC Docket No. 96-128

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COMMENTS OF TELEPORT COMMUNICATIONS GROUP INC.

Teleport Communications Group Inc. ("TCG"), pursuant to the Commission's Notice of Proposed Rulemaking ("NPRM"),[1] hereby submits its Comments in the above-captioned proceeding.

I. INTRODUCTION

TCG is currently a competitive payphone service provider ("PSP") with operations in New York, New Jersey and Illinois. TCG's comments in this proceeding will focus on the method of per-call compensation, as mandated by The Telecommunications Act of 1996[2] ("1996 Act"). These Comments will also address the Commission's issues concerning the call tracking abilities of carriers.

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[1]FCC 96-254, rel. June 6, 1996.

[2] 47 U.S.C. §276.

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TCG supports the Commission's tentative conclusion that PSP compensation should be made on a per-call basis directly from the interexchange carrier ("IXC") to the PSP. As the Commission recognizes, such a compensation method may require carriers to employ or have access to call tracking mechanisms. TCG is not opposed to the Commission's tentative conclusion that network tracking methodologies should be made available to other payphone providers on an unbundled basis. However, TCG requests that the Commission clarify that such an obligation extends only to those local exchange carriers ("LECs") that already provide tracking services and does not require that CLECs deploy such capability.

II. A "CARRIER PAYS" PER CALL COMPENSATION MECHANISM BEST MEETS THE REQUIREMENTS OF THE 1996 ACT THAT PAY PHONE SERVICE PROVIDERS BE FAIRLY COMPENSATED.

The 1996 Act requires that the Commission establish a per call compensation plan to ensure that all payphone service providers are fairly compensated for each and every completed intrastate and interstate call.[3] The 1996 Act provides that:

> "In order to promote competition among payphone service providers and promote the widespread deployment of payphone services to the benefit of the general public, . . . the Commission shall take all actions necessary . . . to prescribe regulations that --

[3] Id.

'(A) establish a per call compensation plan to ensure that all payphone service providers are fairly compensated for each and every completed intrastate and interstate call using their payphone . . .'"[4]

In its NPRM, the Commission offers two possible per call compensation structures that it believes would meet the requirements of the 1996 Act. One option to achieve per call compensation for PSPs would be to require the IXC to bill the end-user for the "set use fee" and then remit the fee to the PSP.[5] As the Commission recognizes, however, this compensation method will result in additional transactions costs to end users and to the industry in general. These costs result from the need to structure a set use fee that will be collected from the end user billed for the call, or from the subscriber for 800 and other toll-free number calls. More importantly, set use fees could result in either payphone providers receiving only partial compensation for calls made from their equipment or higher costs to the industry in general.[6]

Thus, under a set use fee arrangement, it is arguable that payphone providers may not receive fair compensation as required by the 1996 Act if a portion of the set use fee must go to pay for the billing and collection services of the IXC. Alternatively, the set use fee could be set "net" of the costs, resulting in higher charges to the industry as a whole. Toward this result, where IXC call

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[4]47 U.S.C. §276(b).

[5]NPRM at ¶26. The Commission describes a set use fee as a fee that the IXC will bill and collect from the end user. The fee is then remitted to the PSP. Id.

[6] California Public Utility Commission rules for set use fees applied to intraLATA 0+, 0-, and access code calls allow the billing carrier to deduct a reasonable billing and collection charge from the fees payable to the PSP. NPRM at n.72.

tracking capabilities exist, fair compensation can best be achieved with the direct remittance method identified by the Commission as the "carrier-pays" method.

TCG supports the Commission's tentative conclusion that a "carrier-pays" compensation method is the most appropriate pay per call method for meeting the requirements of the 1996 Act. The Commission correctly states a preference for "an approach that minimizes transaction costs on the caller and on the industry."[7] Under the carrier-pays mechanism, PSPs receive full and fair compensation because IXCs remit payments directly to the payphone provider without being required to bill the end user and deducting the costs of such billing. This compensation method imposes no transaction costs on the PSP, is less likely to confuse end users by the multiple charges on their bill, and allows PSPs to be compensated in full for providing its services as required by the 1996 Act.[8]

In addition, a per call, carrier-pays compensation method has already been established and successfully used by AT&T and Sprint for compensation for the calls made to their network from PSP.[9] Further, two ILECs, Ameritech and Southwestern Bell, have been allowed to adopt this billing method for all IXC calls made from their payphones.[10] Thus, the proposed "carrier-pays" compensation mechanism has been successfully used for several years by multiple carriers, is

[7] NPRM at ¶28.

[8] As the Commission notes, an IXC could aggregate its transaction costs on the call and on the industry using a "carrier pay" per call mechanism. NPRM at ¶28.

[9] NPRM at ¶31.

[10] Id.

simpler to administer, imposes lower transactions costs than a set use fee structure, and is less confusing for end users. TCG, therefore, urges the Commission to adopt the carrier-pays compensation mechanism to fulfill the requirements set forth in Sec. 276 of the 1996 Act.

III. UNBUNDLED NETWORK TRACKING CAPABILITIES SHOULD BE LIMITED TO ILECS.

Accurate per call compensation requires either the payphone provider or the IXC to track individual payphone calls for billing purposes. TCG does not object to the Commission's tentative conclusion to require the unbundling of *incumbent LEC*, central office network tracking capabilities.

As the Commission correctly states, competitive payphone providers are currently limited to the use of "smart" payphones which implement call tracking within the payphone.[11] The availability of unbundled, cost-based network tracking elements to competitive payphone providers is likely to promote competition in the payphone industry by encouraging the deployment of less expensive "basic" phones by competitive payphone providers. "Basic" phones rely on a ILEC central office for billing, call monitoring, and other coin services. This could also encourage the deployment of payphones to more locations by making the cost of each phone potentially less, thus benefitting the user community that relies on payphones.

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[11] Id. at ¶43.

The Commission should clarify, however, that the proposed unbundling of tracking elements is limited to the call tracking capabilities of the incumbent LECs that currently provide central office coin services. The tracking capabilities of a competitive provider's "smart" phones are located within the telephone itself and are incapable of being provided outside of that payphone.

Further, competitive local carriers ("CLCs") should not be required to offer central office coin services such as tracking where they do not already provide those services. Such a requirement would impose unnecessary costs on competitive LECs payphone providers that are also certified as CLCs.

IV. CONCLUSION

For the reasons stated herein, TCG recommends that the Commission adopt its proposal to require a "carrier-pays" compensation method for interstate payphone access code and other dial-around calls. TCG also recommends that the Commission clarify that a requirement to unbundle network tracking services should only apply to incumbent LECs that already provide those services.

Respectfully submitted,

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